

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Iosco Transit Corporation	County Iosco
Audit Date 9/30/05	Opinion Date 10/25/05	Date Accountant Report Submitted to State: 1/23/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	City Roscommon	State MI	ZIP 48653
Accountant Signature 	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.01.23 19:52:30 -05'00'		
		Date 1/23/06	

**IOSCO TRANSIT CORPORATION
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2005**

IOSCO TRANSIT CORPORATION

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
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INDEPENDENT AUDITORS' REPORT

October 25, 2005

Board of Directors
Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

We have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements of the Iosco Transit Corporation as of and for the year ended September 30, 2005, as listed in the table of contents. These statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

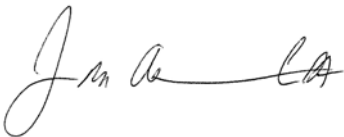
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Iosco Transit Corporation, as of September 30, 2005, and the changes in financial position and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2005, on our consideration of the Iosco Transit Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Page 2
Board of Directors
Iosco Transit Corporation
October 25, 2005

The management's discussion and analysis on page 3-6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Iosco Transit Corporation basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read "J. Anderson", is positioned above the printed name of the accounting firm.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IOSCO TRANSIT CORPORATION
MANAGEMENTS'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005

Using this Annual Report

Our discussion and analysis of the Iosco Transit Corporation's financial performance provides an overview of the Transit's financial activities for the fiscal year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Transit and present a longer-term view of the Transit's finances.

Overview of the Financial Statements

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Transit:

- . The first two statements are financial statements that provide both long-term and short-term information about the Transit's overall financial status. These statements report information about the Transit, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Transit's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities—this is one way to measure the Transit's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Transit as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Bus System as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Transit, as a whole, and about its activities in a way that helps answer the question of whether the transit, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transit's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

IOSCO TRANSIT CORPORATION
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

The two statements, mentioned above, report the Transit's net assets and how they have changed. The reader can think of the Transit's net assets (the difference between assets and liabilities) as one way to measure the Transit's financial health or financial position. Over time, increases or decreases in the Transit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Transit you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Transit's busses, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Bus System as Whole

The Transit's net assets increased approximately 5%, or \$9,219, from \$189,149 to \$198,368 for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

The financial position of the Transit is relatively the same as the prior year. Although the net assets increased by \$9,219, the unrestricted portion decreased by \$12,938 from (\$10,391) to (\$23,329). The overall increase in the net assets can be attributed primarily to the capital grants received during 2005 of \$87,557.

The net assets as of the year ended September 30, 2005, are as follows:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 54,352	\$ 35,268	\$ (19,084)	(35.11)
Capital Assets	<u>199,540</u>	<u>221,697</u>	<u>22,157</u>	<u>11.10</u>
Total Assets	<u>253,892</u>	<u>256,965</u>	<u>3,073</u>	<u>1.21</u>
Current Liabilities	64,743	58,597	(6,146)	(9.49)
Noncurrent Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>64,743</u>	<u>58,597</u>	<u>(6,146)</u>	<u>(9.49)</u>
Net Assets				
Contributed equity	126,474	83,697	(42,777)	(33.82)
Invested in Capital Assets	73,066	138,000	64,934	88.87
Unrestricted	<u>(10,391)</u>	<u>(23,329)</u>	<u>(12,938)</u>	<u>(124.51)</u>
Total Net Assets	<u>\$ 189,149</u>	<u>\$ 198,368</u>	<u>\$ 9,219</u>	<u>4.87</u>

IOSCO TRANSIT CORPORATION
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Changes in Net Assets

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 47,598	\$ 52,177	\$ 4,579	9.62
Nonoperating Revenue				
Taxes Levied for Transit	85,349	88,889	3,540	4.15
State of Michigan Operating Grants	124,497	123,007	(1,490)	(1.20)
Federal Operating Grants	30,815	37,237	6,422	20.84
County Grants	-0-	4,683	4,683	100.00
Capital Grants	8,518	87,557	79,039	927.91
Interest	93	137	44	47.31
Loss on Sale of Fixed Assets	<u>(19,409)</u>	<u>-0-</u>	<u>19,409</u>	<u>(100.00)</u>
Total Revenue	<u>277,461</u>	<u>393,687</u>	<u>116,226</u>	<u>41.89</u>
Operating Expense				
Salaries and Wages	179,251	189,194	9,943	5.55
Fringe Benefits	31,731	33,023	1,292	4.07
Depreciation	105,898	65,400	(40,498)	(38.24)
Other	<u>82,810</u>	<u>96,851</u>	<u>14,041</u>	<u>16.96</u>
Total Operating Expense	<u>399,690</u>	<u>384,468</u>	<u>(15,222)</u>	<u>(3.81)</u>
Income (Loss)	(122,229)	9,219	131,448	107.54
Beginning Net Assets	<u>311,378</u>	<u>189,149</u>	<u>(122,229)</u>	<u>39.25</u>
Ending Net Assets	<u>\$ 189,149</u>	<u>\$ 198,368</u>	<u>\$ 9,219</u>	<u>4.88</u>

IOSCO TRANSIT CORPORATION
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Capital Asset and Debt Administration

At September 30, 2005, the Transit had \$221,697 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$22,157 or 11.10% as follows:

	<u>2004</u>	<u>2005</u>	<u>Total Percentage Change 2004-2005</u>
Capital Assets Not Being Depreciated			
Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	448,488	455,459	1.55
Vehicles	579,786	659,172	13.69
Equipment	<u>119,898</u>	<u>121,098</u>	<u>1.00</u>
Subtotal	<u>1,148,172</u>	<u>1,235,729</u>	<u>7.63</u>
Total Capital Assets	<u>1,148,172</u>	<u>1,235,729</u>	<u>7.63</u>
Total Accumulated Depreciation	<u>948,632</u>	<u>1,014,032</u>	<u>6.89</u>
Total Net Capital Assets	<u>\$ 199,540</u>	<u>\$ 221,697</u>	<u>11.10</u>

Please refer to the notes of the financial statements for more detailed information.

Economic Factors and Next Year's Budget

Iosco Transit Corporation (ITC) showed a gain in services of \$4,579 and local millage of \$3,540. ITC also showed a gain in Federal assistance of \$6,422 and a decrease in State assistance of \$1,490, which resulted in a net gain of \$13,051 in funding for the 2005 fiscal year. Due to the increase in payroll, ITC now paying it's own bus fleet insurance and the rapid increase in fuel prices ITC has had difficulty making ends meet.

During the fiscal year of 2006, ITC will attempt to renew the present millage and try for a slight increase in the present millage. ITC will also raise the fare box rates in an attempt to bring in additional revenue. If the millage is not renewed ITC will cut back to bare minimum operations. If the increase is not renewed ITC will once again face a year of struggling to keep on track.

Darlene Eno
General Manager

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

ASSETS

Current Assets:

Cash and investments	\$ 6,570
Accounts receivable	1,745
Grants receivable	<u>26,953</u>

Total Current Assets	35,268
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Property and equipment, less accumulated depreciation	<u>221,697</u>
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Total Assets	<u>256,965</u>
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LIABILITIES

Current Liabilities:

Accounts payable	5,861
Accrued payroll	11,686
Due to County	12,757
Line of credit	<u>28,293</u>

Total Current Liabilities	58,597
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NET ASSETS

Contributed equity	83,697
Invested capital assets, net of related debt	138,000
Undesignated	<u>(23,329)</u>

Total Net Assets	<u>\$ 198,368</u>
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See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 52,079
Vehicle maintenance	<u>98</u>
Total operating revenues	<u>52,177</u>
Operating Expenses	
Salaries and wages	189,194
Fringe benefits	33,023
Materials and supplies	54,549
Services	4,049
Utilities	8,658
Casualty and liability insurance	15,564
Miscellaneous	14,031
Depreciation	<u>65,400</u>
Total operating expenses	<u>384,468</u>
Operating income (loss)	<u>(332,291)</u>
Non-operating Revenues (expenses)	
Property taxes	88,889
Federal operating assistance	37,237
State operating assistance	123,007
State and Federal capital grants	87,557
County	4,683
Interest/investment income	<u>137</u>
Total non-operating revenues	<u>341,510</u>
Change in Net Assets	9,219
Net Assets - October 1, 2004	<u>189,149</u>
Net Assets - September 30, 2005	<u><u>\$ 198,368</u></u>

See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 9,219
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	65,400

Changes in assets and liabilities:

Decrease (increase) in accounts receivable	887
Decrease (increase) in due from governmental units	(19,279)
Increase (decrease) in accounts payable	265
Increase (decrease) in accrued payroll	961
Increase (decrease) in line of credit	(8,981)
Increase (decrease) in due to County	<u>1,609</u>

Net Cash Provided By Operating Activities	50,081
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CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(87,557)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	(37,476)
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Cash and Cash Equivalents at October 1, 2004	<u>44,046</u>
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Cash and Cash Equivalents at September 30, 2005	<u><u>\$ 6,570</u></u>
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See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Iosco Transit Corporation is a nonprofit corporation under contract with the County of Iosco to provide public transportation to the residents of Iosco County. Its function is to carry out the terms of the public transportation service contract between the Michigan Department of Transportation and the Board of County Commissioners of the County of Iosco.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Iosco Transit Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Financial Reporting Entity - The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In accordance with accounting principles generally accepted in the United States of America and Government Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Iosco Transit Corporation. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.

Inventory - Inventories are recorded as expenditures in the year of purchase. The amounts on hand at September 30, 2005 was determined to be immaterial and have therefore not been recorded on the books.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Property Taxes - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Transit through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

NOTE C - VACATION AND SICK LEAVE

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly. Vacation time does not accumulate from year to year except by mutual agreement between the Transit and the employees.

Sick leave is granted without pay upon application from the employee for illness or injury subject to the employer's right to request medical proof of disability.

The current portion of compensated absences benefits are recorded as expenditures.

NOTE D - CASH AND INVESTMENTS

The balance sheet at September 30, 2005 contained \$6,570 which was on deposit within various bank accounts. At year-end, the bank balance of these deposits was \$5,870. These deposits were 100% insured according to FDIC regulations.

Deposits are categorized into these three categories of credit risk.

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 6,570	\$ 5,870

Michigan law prohibits collateralization of public funds.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</u>
Building and Improvements	\$ 448,488	\$ 6,971	\$ -0-	\$ 455,459
Vehicles	579,786	79,386	-0-	659,172
Shop Equipment	59,511	-0-	-0-	59,511
Office Equipment	<u>60,387</u>	<u>1,200</u>	<u>-0-</u>	<u>61,587</u>
Totals	<u>\$1,148,172</u>	<u>\$ 87,557</u>	<u>\$ -0-</u>	\$1,235,729
Accumulated Depreciation	<u>\$ 948,632</u>	<u>\$ 65,400</u>	<u>\$ -0-</u>	<u>1,014,032</u>
Net Property and Equipment				<u>\$ 221,697</u>

Depreciation expense for fiscal year ending September 30, 2005 was \$65,400.

NOTE F - STATE GRANTS

The Transit has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Public Transit is now eligible to receive have not been disbursed to them as the projects have not been completed. As of September 30, 2005, \$38,193 is still available to the Transit under those grants.

NOTE G - RISK MANAGEMENT

The Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2005 the Transit carried commercial insurance to cover all risk of losses. The Worker's Compensation insurance is the only retrospectively rated policy; any premiums accrued are based on the ultimate cost of the experience to date of the Transit. The Transit has had no settled claims resulting from these risks that exceeded their commercial coverage in the past two fiscal years.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE H- CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$64,512.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2005, \$87,557 of State/Federal Capital Grants were recorded as revenue.

Contributed Capital balances as of September 30, 2001 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

NOTE I - PROPERTY TAXES

During 2001 the voters of Iosco County approved a countywide property tax levy of up to .1 mill to provide for the continued operation of the Transit Corporation. Net property taxes collected for the year ended September 30, 2005 were \$88,889.

SUPPLEMENTAL INFORMATION

IOSCO TRANSIT CORPORATION
OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2005

SCHEDULE 1

Operating Revenues

Demand-response (farebox)	\$ 52,079
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Maintenance	<u>98</u>
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Total Operating Revenues	<u><u>\$ 52,177</u></u>
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IOSCO TRANSIT CORPORATION
OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2005

	<u>Operations</u>	<u>Maintenance</u>
Labor		
Operators' salaries and wages	\$ 94,915	\$ 26,649
Dispatchers' salaries and wages	29,542	-0-
Fringe Benefits	18,161	3,915
Services	-0-	-0-
Materials and Supplies Consumed		
Fuel and lubricants	34,058	-0-
Tires and tubes	-0-	4,879
Other materials and supplies	-0-	11,294
Utilities	-0-	-0-
Casualty and Liability Costs	12,757	-0-
Miscellaneous Expenses		
Travel and meetings	-0-	-0-
Advertising	-0-	-0-
Lease/Rental	3,642	-0-
Other miscellaneous expenses	-0-	-0-
Depreciation & Amortization	<u>60,191</u>	<u>879</u>
Total Expenses	<u>\$ 253,266</u>	<u>\$ 47,616</u>

SCHEDULE 2

<u>General Administration</u>	<u>Total System</u>
\$ 38,088	\$ 159,652
-0-	29,542
10,947	33,023
4,049	4,049
-0-	34,058
-0-	4,879
4,318	15,612
8,658	8,658
2,807	15,564
1,369	1,369
3,463	3,463
-0-	3,642
5,557	5,557
<u>4,330</u>	<u>65,400</u>
<u>\$ 83,586</u>	<u>\$ 384,468</u>

SCHEDULE 3

IOSCO TRANSIT CORPORATION
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2005

Local Operating Grants

Millage	\$ 88,889
County Contributions	<u>4,683</u>

Subtotal Local Operating Grants	<u>93,572</u>
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State of Michigan Operating Grants

Formula Operating Assistance (Act 51)	122,822
R.T.A.P.	<u>185</u>

Subtotal State of Michigan Operating grants	<u>123,007</u>
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Federal Operating Grants

U.S. DOT Operating Grant - Section 5311	<u>37,237</u>
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Subtotal Federal Operating Grants	<u>37,237</u>
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State Capital Grants

	<u>87,557</u>
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Interest Income

	<u>137</u>
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Total Nonoperating Revenues	<u><u>\$ 341,510</u></u>
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SCHEDULE 4IOSCO TRANSIT CORPORATION
SCHEDULE OF CONTRIBUTED EQUITY
YEAR ENDED SEPTEMBER 30, 2005

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Balance, October 1, 2004	\$ 105,188	\$ 14,286	\$ 119,474
Deduct			
Depreciation on assets purchased from contributed equity	<u>(29,736)</u>	<u>(6,041)</u>	<u>(35,777)</u>
Balance, September 30, 2005	<u>\$ 75,452</u>	<u>\$ 8,245</u>	<u>\$ 83,697</u>

IOSCO TRANSIT CORPORATION
CAPITAL CONTRACTS
YEAR ENDED SEPTEMBER 30, 2005

SCHEDULE 5

Grantor: Michigan Department of Transportation

	Grant Award <u>Carry Over</u>	<u>Earned</u>	Amount <u>Remaining</u>
#2002-0052-Z1	\$ 19,711	\$ -0-	\$ 19,711
#2002-0052-Z7	4,894	1,625	3,269
#2004-0453	79,895	79,386	509
#2002-0052/Z9	8,750	6,546	2,204
#2002-0052/Z11	<u>12,500</u>	<u>-0-</u>	<u>12,500</u>
	<u>\$ 125,750</u>	<u>\$ 87,557</u>	<u>\$ 38,193</u>

SCHEDULE 6

IOSCO TRANSIT CORPORATION
EXPENSES BY CONTRACT AND GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2005

	Section 5311	Total
Labor	\$ 189,194	\$ 189,194
Fringe benefits	33,023	33,023
Services	4,049	4,049
Materials and supplies	54,549	54,549
Utilities	8,658	8,658
Casualty and liability	15,564	15,564
Miscellaneous	14,031	14,031
Depreciation and Amortization	<u>65,400</u>	<u>65,400</u>
Total	384,468	384,468
Less		
Ineligible Expenses and Project Revenues	<u>68,232</u>	<u>68,232</u>
Total Eligible Expenses	<u>\$ 316,236</u>	<u>\$ 316,236</u>

SCHEDULE 7

IOSCO TRANSIT CORPORATION NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS YEAR ENDED SEPTEMBER 30, 2005

	2002-0052/Z10 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses		
Labor	\$ 189,194	\$ 189,194
Fringe benefits	33,023	33,023
Services	4,049	4,049
Materials & supplies	54,549	54,549
Utilities	8,658	8,658
Casualty & liability	15,564	15,564
Miscellaneous	14,031	14,031
Depreciation	<u>65,400</u>	<u>65,400</u>
Total Expense	<u>384,468</u>	<u>384,468</u>
Less Ineligible Expenses		
Depreciation	64,512	64,512
R.T.A.P.	185	185
Services	98	98
Audit Fees	3,300	-0-
Interest	<u>137</u>	<u>137</u>
Total Ineligible Expense and Project Revenue	<u>68,232</u>	<u>64,932</u>
Net Eligible Expenses	<u>\$ 316,236</u>	<u>\$ 319,536</u>
Maximum Section 5311 Reimbursement (12.4%) not to exceed \$37,237	<u>\$ 37,237</u>	
State Operating Assistance		<u>\$ 122,822</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to non-urbanized areas. The State Operating Assistance is computed at 38.4376% of the current eligible expenses for the year ended September 30, 2005.

IOSCO TRANSIT CORPORATION
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
SEPTEMBER 30, 2005

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4.

Services

The Transit Authority provides maintenance services in Iosco County. 100% of the revenue from these services was considered ineligible.

Annual Audit Fees

Any Transit Agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$3,300 has been treated as an ineligible for Section 5311 purposes.

Interest Expense

Interest expense on short-term debt is ineligible to the extent of interest earned. Therefore, \$137 has been treated as ineligible.



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

October 25, 2005

Board of Directors
Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2005, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IOSCO TRANSIT CORPORATION
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2005

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>
DEMAND RESPONSE		
1st Quarter	39,737	1,988
2nd Quarter	41,432	1,994
3rd Quarter	41,248	2,111
4th Quarter	<u>43,605</u>	<u>2,158</u>
TOTAL OPERATIONS	<u><u>166,022</u></u>	<u><u>8,251</u></u>

See Auditors' Disclaimer on Preceding Page.

SCHEDULES 9 AND 10

<u>Regular Passengers</u>	<u>Senior Passengers</u>	<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
4,142	692	1,782	284
4,584	691	1,801	321
4,160	853	1,905	352
<u>3,668</u>	<u>939</u>	<u>1,928</u>	<u>389</u>
<u><u>16,554</u></u>	<u><u>3,175</u></u>	<u><u>7,416</u></u>	<u><u>1,346</u></u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 25, 2005

Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

Dear Board:

We have audited the financial statements of the Iosco Transit Corporation for the year ended September 30, 2005, and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

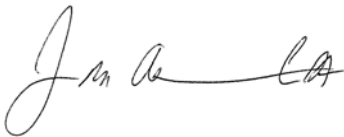
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iosco Transit Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 0

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iosco Transit Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read "J. Anderson", with a stylized flourish at the end.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS